

Bill to Prevent Taxation of Disaster Grants Passes U.S. House

Washington, DC -- Today, the U.S. House of Representatives passed legislation, H.R. 1134, to prevent the Internal Revenue Service from taxing federal grants designed to help victims of natural disasters, like hurricanes, floods and tornadoes, rebuild homes protected from future devastation.

Congressman Ernest Istook (R-OK) spoke in favor of the legislation on the House floor reminding Congress, **"You can move out of a flood plain, away from the coast or away from an earthquake fault line, but no place in the country is safe from tornadoes. That's why thousands of Oklahomans received over \$60 million in grants to build shelters and safe rooms, and they shouldn't be taxed for being prudent. It's my understanding from the Treasury Department that this bill will stop future taxation of these grants, and will give them authority to pronounce that the past grants won't be taxed either. The Treasury and the IRS have signaled that they will issue that formal notice as soon as we pass this bill."**

Istook has been working with Congressman Mark Foley, the sponsor of the bill, as well as the IRS Commissioner, the Treasury Department, FEMA, and Congressman Bill Thomas, the Chairman of the Ways and Means Committee to make sure that Oklahomans who have used the grants to build safe rooms following the devastating tornados of recent years would not owe tax on those grants.

The bill excludes Federal Emergency Management Agency Hazard Mitigation Grants from taxable income. The Internal Revenue Service first told FEMA last summer that current law left it no choice but to treat the grants as taxable. Many Oklahomans face the prospect of including the grants in their tax returns due by April 15th, unless the bill is signed into law by then. The White House has announced its support, and prompt Senate action is now needed so the bill can go to the President quickly.

"No one ever intended that these grants be taxed," said Istook. **"We don't want people to file tax returns now, then have to file amended returns later if Congress doesn't act before the filing date. I appreciate Chairman Thomas' quick work to move this bill, and now we hope the Senate will be just as prompt."**

It's common sense that not to add a tax to these grants."